Fact Sheet

U.S. Department of Agriculture
Foreign Agricultural Service

WTO and Agriculture
What's at Stake for Soybeans and Products?

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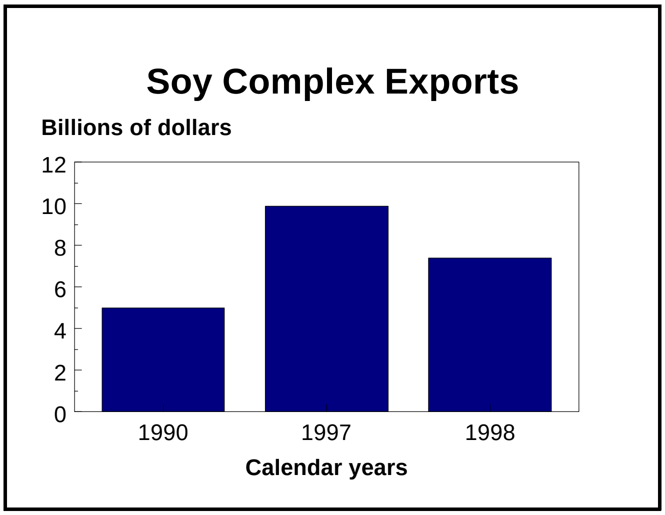
Future export prospects for U.S. soybeans, soybean meal, and soybean oil depend, in large part, on the ability of the United States to maintain and expand market access, ensure fair competition, and further level the international playing field for U.S. producers and exporters. The World Trade Organization (WTO) and trade negotiations offer comprehensive new trade agreements aimed at achieving these objectives.



Why Trade Matters for U.S. Soybeans and Products

U.S. soybean and product exports reached $9.9 billion in 1997, doubling in value compared to 1990. During the same period, export volume topped 34 million metric tons (total product weight), up more than 60 percent. Much of this growth would never have occurred without the increased economic vitality and more liberal trade environment fostered by the Uruguay Round/WTO implementation. However, in 1998 exports of soybeans and products dropped substantially in volume and value. The Asian financial crisis and stiff competition from South America caused soybean complex exports to drop to 29.7 million tons, while the value slipped to $7.4 billion. The experience of 1998 and subsequent deterioration of the farm economy makes it imperative that we strive to achieve freer trade globally to maximize export opportunities and mitigate the impact of regional political and economic problems. In 1998 soybean and product exports accounted for 40 percent of U.S. soybean production. U.S. producers are heavily dependent on exports, and with increasing production foreign markets will become even more important to bolster sales, farm prices, and income.

How Trade Agreements Expand Market Opportunities

Trade agreements have opened markets, reduced unfair competition, brought some discipline to sanitary-phytosanitary barriers, and introduced more effective dispute-settlement procedures in global trade. These agreements have helped to expand export market opportunities for U.S. soybeans and products in a number of ways.

- # Under the Uruguay Round, for example:

  - The Philippines reduced tariffs on soybean meal from 10 to 3 percent and on soybeans from 10 to 9 percent. The resulting lower prices for soybean meal, coupled with increased market access, have enhanced protein meal demand and soybean meal imports by 60 percent since 1994. The United States accounted for 81 percent of the Philippines' soybean imports and 80 percent of its soybean meal imports in 1998.

  - The EU committed itself to the Blair House accord, which effectively halted the erosion in U.S. soybean and soybean meal exports to the region. Prior to this agreement, the EU nearly tripled oilseed production between 1980 and 1990, resulting in a 53-percent drop in the volume of U.S. soybean and soybean meal exports for the period. Following the agreement, growth in EU oilseed production has waned, allowing U.S. exports to rebound 28 percent between 1990 and 1998. The EU continues to be an important export market for U.S. soybeans and products, accounting for 27 percent of total exports in 1998.

Why Further Trade Negotiations Are Needed

Despite the progress already achieved, trade liberalization is far from complete. Producers of U.S. soybeans and products continue to face an array of tariff and nontariff barriers, unfair trading practices, and preferential trading arrangements in key markets around the world. A few examples follow:

- # The continuing expansion of regional trade pacts in South America pose a threat to recent gains in exports to important markets in Colombia, Venezuela, Peru, and Ecuador. Preferential tariff rates offered under these arrangements place U.S. soybeans and products at a disadvantage relative to imports from Bolivia, Argentina, and Brazil.

- # Expansion of the EU into Eastern Europe, along with growth of bilateral agreements and preferential tariff rates between the EU and East European countries, could dampen future U.S. export prospects into this region.